

ID: CCA_2011032308381837

Number: **201116022**

Office:

Release Date: 4/22/2011

UILC: 6231.07-00

From:

Sent: Wednesday, March 23, 2011 8:38:28 AM

To:

Cc:

Subject: RE: TEFRA quandry

1. A trust may be designated as TMP, even if it is a disregarded entity, and its appears that it was validly designated and has not filed for bankruptcy. Thus, it remains the TMP under Rev. Rul. 2004-88 and cannot be replaced by the Service.
2. It appears that the percent owner may have contributed his interest to the trust so that the trust is now the percent owner. It was not necessary for the former partner to sell his interest in order for the trust to take over the percent interest.
3. Because the trust is a separate entity for TMP purposes under the above Rev. Rul. it remains as TMP unless it has also filed for bankruptcy.
4. The trustee of the trust will act for the trust, however the trustee is appointed.

As a practical matter, however, you should deal exclusively with the percent owner since it is the only one who will have tax consequences from the TEFRA partnership proceeding. The percent interest flows through the trust to a bankrupt indirect partner who is now no longer a party to the TEFRA proceeding since his partnership items have converted to nonpartnership items under Treas. Reg. 301.6231(c)-7. Thus, the TMP would be acting as an agent solely for the percent partner.